



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/11/2003

GAIN Report #IN3057

India

Agricultural Situation

Weekly Highlights & Hot Bites, #28

2003

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Report Highlights:

***Better than expected monsoon to boost economy*, *Agriculture Ministry wants edible oil import duty hiked 15 percent*, *India goes on an FTA shopping spree*, *PTA with Iran in the cards*, *Cabinet approves farm pact with France*.**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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BETTER THAN EXPECTED MONSOON TO BOOST ECONOMY

The better than expected monsoon is likely to spur the economy to grow at 6 percent this year, according to Indian economists. "A good monsoon means a higher income for the farm sector, which drives a major chunk of demand," said an economist with the National Council of Applied Economic Research, an Indian think-tank. Last year, the farm sector shrunk due the drought, dragging the annual economic growth rate down to 4.3 percent from 5.6 percent the year before. (Source: Business Standard, 07/11/03)

Post Comment: For more information regarding the Monsoon progress, please see IN#3058.

AGRICULTURE MINISTRY WANTS EDIBLE OIL IMPORT DUTY HIKED 15 PERCENT

The Agriculture Ministry has asked the Finance Ministry to raise the import duty on RBD palm oil from the current 70 percent to 85 percent, and also to reimpose the 4 percent special additional duty. This reflects the Agriculture Ministry's concerns over the rise in edible oil imports to the detriment of domestic oilseed growers. The Agriculture Minister stated that curbing import growth is necessary to ensure remunerative prices for oilseed farmers. (Source: Business Standard 7/8/03)

INDIA GOES ON AN FTA SHOPPING SPREE

India is negotiating free-trade agreements (FTAs) with more than a dozen major economies. If the proposed pacts materialize, Indian goods would find preferential access to major markets like Singapore, Malaysia, China, Thailand, Indonesia, Philippines, Argentina, Brazil, Uruguay, Paraguay, and South Africa. India will have strong links with members of regional trading blocks like Asean and Mercosur, along with BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation) and the South Asian Association for Regional Cooperation (SAARC) Preferential Trade Area (SAPTA). In view of the growing need to forge regional links, the Department of Commerce has accorded top priority to these trade agreements. The only FTAs India has managed to sign so far are with Sri Lanka and Afghanistan, while minor pacts have also been signed with neighboring countries like Nepal, Bangladesh, Maldives, and Bhutan, driven more by political or strategic reasons. (Source: Economic Times, 07/08/03)

Post Comment: Most of the proposed PTAs/FTAs are at a rudimentary stage, commodity coverage and tariff concessions have yet to be negotiated, and their ultimate successful conclusion is uncertain.

PTA WITH IRAN IN THE CARDS

The Indian government is working on a preferential trade agreement (PTA) with Iran, which could subsequently become a free trade agreement. Commerce Ministry sources said the government has identified a list of 320 products for which it would seek duty reduction from Iran. The list is expected to include automotive components, drugs and pharmaceuticals, iron ore, rice, sugar, edible oils, poultry feed, and engineering goods. Iran is also finalizing the list of product lines for duty reduction from India, which would include dry fruits, pistachio, saffron, and various other agricultural and horticultural products. India and Iran's bilateral ties got a boost with the visit of Iranian President Khatami to India in January this year, during which the two countries agreed to cooperate in areas of biotechnology, pharmaceuticals, agro-processing, and engineering. (Source: Financial Express, 7/11/03)

CABINET APPROVES FARM PACT WITH FRANCE

The Indian Cabinet has approved a fresh proposal for an agreement with France on cooperation in the fields of agriculture, fisheries, rural development, forestry, and food industries. Briefing the media, the Minister of Parliamentary Affairs, Ms. Sushma Swaraj, said that the proposed agreement aims to strengthen bilateral, scientific, and technical cooperation in the fields of agriculture and allied sectors, and to exchange views on WTO negotiations on agriculture. The agreement will also address the issues of conservation of agriculture and food products, with special emphasis on cold chains, protection of intellectual property in geographical indications, rural development and forestry, and post-harvest management of perishable food products. The agreement will remain valid for five years, and will be automatically renewed unless either of the contracting parties gives a six months' notice for termination. (Source: Business Line, 07/11/03)

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